

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-06 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 AGRE-00 PA-01 PRS-01 /084 W
-----120800 241759Z /64

P R 241716Z JAN 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC PRIORITY 2353
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LUXEMBOURG
AMEMBASSY ROME
USMISSION USNATO
AMEMBASSY PARIS
AMCONSUL BELFAST
AMCONSUL EDINBURGH

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E.O.11652: N/A
TAGS: PINT, EAGR, UK, EEC
SUBJECT: COMMONS DEFEATS GOVERNMENT ON GREEN POUND

REF: LONDON 906

SUMMARY - THE OPPOSITION PARTIES COMBINED IN COMMONS
JANUARY 23 TO DEFEAT A GOVERNMENT PROPOSAL TO REVALUE
THE GREEN POUND BY 5 PER CENT AND APPROVED AN AMENDMENT
WHICH WILL INCREASE ITS VALUE BY 7 1/2 PER CENT. THE
GOVERNMENT'S DEFEAT ON THIS ISSUE WILL HAVE NO EFFECT
ON ITS ABILITY TO SUSTAIN ITSELF IN POWER OR ON ITS
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CONTINUING AGREEMENT WITH THE LIBERAL PARTY. INDEED,
THE GOVERNMENT SEEMS TO BELIEVE THAT THE OUTCOME
PROVIDES IT WITH A MEASURE OF POLITICAL ADVANTAGE,
IN THAT IT WILL BE ABLE TO BLAME THE OPPOSITION PARTIES
FOR THE RESULTING INCREASES IN FOOD PRICES.--END SUMMARY

1. GOVERNMENT EFFORTS TO REACH AN AGREEMENT WITH THE

LIBERAL PARTY ON ITS PROPOSAL TO REVALUE THE GREEN POUND BY 5 PER CENT FAILED LAST WEEK WHEN PRIME MINISTER CALLAGHAN REFUSED TO ACCEDE TO A LIBERAL REQUEST THAT THE GOVERNMENT COMMIT ITSELF TO A FURTHER REVALUATION LATER IN THE YEAR IN RETURN FOR THEIR SUPPORT. CALLAGHAN BASED HIS REFUSAL ON THE ARGUMENT THAT ANY INCREASE BEYOND 5 PER CENT WOULD INCREASE FARM INCOMES BY MORE THAN THE 10 PER CENT WAGE GUIDELINE.

2. AWARE THAT COMMONS WAS UNLIKELY TO APPROVE THE PROPOSED REVALUATION IN THE ABSENCE OF LIBERAL SUPPORT, THE GOVERNMENT ELECTED TO PROCEED, INTRODUCING ITS MOTION AS SCHEDULED ON JANUARY 23 (REFTEL). WHEN THE VOTE CAME, THE LIBERALS WERE ARRAYED WITH THE CONSERVATIVES AND NATIONALIST PARTIES (THE ULSTER UNIONISTS AT THE LAST MINUTE DECIDED TO OPPOSE THE GOVERNMENT, AND THEIR 9 VOTES ACTUALLY DETERMINED THE OUTCOME) IN OPPOSITION, AND THE GOVERNMENT'S PROPOSAL WAS DEFEATED BY AN 11 VOTE (291 TO 280) MARGIN. COMMONS THEN APPROVED A CONSERVATIVE-SPONSORED AMENDMENT REVALUING THE GREEN POUND BY 7 1/2 PER CENT, WITH A 10 VOTE (291 TO 281) MAJORITY.

3. AGRICULTURE MINISTER JOHN SILKIN IMMEDIATELY TOLD THE COMMONS THAT THE GOVERNMENT ACCEPTED ITS WILL ON THIS QUESTION, BUT STRESSED THAT HE AND OTHER SPOKESMEN LIMITED OFFICIAL USE

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WOULD MAKE EVERY EFFORT TO ENSURE THE PUBLIC RECOGNIZES THAT THE OPPOSITION, NOT THE GOVERNMENT, IS RESPONSIBLE FOR THE RESULTING INCREASE IN FOOD PRICES (ESTIMATED AT 1 1/2 PER CENT OVER 12 MONTHS FOR THE 7 1/2 PER CENT REVALUATION, VICE 1 PER CENT FOR THE GOVERNMENT'S PROPOSAL).

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4. COMMENT: THE VOTE ON THE GREEN POUND REVALUATION
WILL HAVE NO EFFECT ON THE GOVERNMENT'S ACCORD WITH THE
PARTY WHICH, IN ANY EVENT, ONLY COMMITS THE
LIBERALS TO SUPPORT THE GOVERNMENT ON ISSUES OF
CONFIDENCE, NOR WILL IT EFFECT THE GOVERNMENT'S ABILITY
TO REMAIN IN OFFICE. THIS PARTICULAR VOTE WAS STRICTLY
A SUI GENERIS EVENT.

5. IT IS ALSO APPARENT FROM THE GOVERNMENT'S HANDLING
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OF THIS ISSUE THAT IT BELIEVES IT HAD MORE TO GAIN
POLITICALLY FROM BEING DEFEATED WHILE SEEMING TO DEFEND
CONSUMER INTERESTS THAN FROM REVALUING THE GREEN POUND
BY 5 PER CENT WITH THE SUPPORT OF THE OPPOSITION
PARTIES, AND WE ARE INCLINED TO AGREE. THIS WAS NO
DOUBT A MAJOR FACTOR IN CALLAGHAN'S DECISION TO REJECT
THE LIBERAL COUNTER-OFFER FOR A FURTHER REVALUATION IN
RETURN FOR THEIR SUPPORT. THE TIMES SEEMED TO CAPTURE
THE GOVERNMENT'S ATTITUDE WHEN IT COMMENTED: "THE
GOVERNMENT SO TRANSPARENTLY AND GLEEFULLY PUT THE BLAME
FOR 'HIGHER FOOD PRICES' ON THE TORIES AND THE MINORITY
PARTIES THAT IT COULD ALMOST BE SUSPECTED OF CONNIVING
AT ITS OWN DEFEAT."

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DEVALUATIONS, FARMS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 24 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978LONDON01281
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780035-0859
Format: TEL
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780130/aaaaayrv.tel
Line Count: 172
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 7ceda1e0-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 LONDON 906
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3725702
Secure: OPEN
Status: NATIVE
Subject: COMMONS DEFEATS GOVERNMENT ON GREEN POUND
TAGS: PINT, EAGR, UK, EEC
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/7ceda1e0-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014